

Message Text

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ORIGIN EB-07

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DRAFTED BY EB:TOENDERS:MH

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S/S - O: MMTANNER

S: JCOVEY

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FM SECSTATE WASHDC

TO USDEL SECRETARY IMMEDIATE

C O N F I D E N T I A L STATE 166934 TOSEC 070027

STADIS////////////////////

E.O. 11652: GDS

TAGS: EFIN

SUBJECT: BRIEFING MEMORANDUM FOR THE SECRETARY FROM
EB - ENDERS: PROPOSED PACKAGE FOR YOUR SPEECH TO SEVENTH
SPECIAL SESSION

CENTERPIECE: INCOME MAINTENANCE

1. PROPOSAL WOULD BE TO CREATE A LARGE-SCALE SYSTEM OF
QUASI-AUTOMATIC LENDING AT MEDIUM TERM (5 TO 8 YEARS),
MODERATE INTEREST (4 TO 6 PERCENT) TO OFFSET FLUCTUATION IN
LDC PAYMENTS POSITIONS DUE TO CHANGED EXPORT VOLUMES AND
PRICES AND INCREASES IN IMPORT PRICES (LATTER AS A BASE TO
INDEXATION CONCEPT). ANNUAL LENDING IN THE SYSTEM WOULD
BE IN EXCESS OF ONE BILLION DOLLARS. SYSTEM WOULD PROBABLY
BE HOUSED IN THE IMF. THERE SHOULD BE A GRANT ELEMENT FOR
THE POOREST (PERHAPS USING IMF GOLD). SYSTEM WOULD BE MORE
GENEROUS THAN LOME, AND WOULD BE UNIVERSAL. BELIEVE
TREASURY WILL BUY IT IF IT IS PRESENTED AS A DEVELOPMENT OF
THE IMF'S COMPENSATORY FINANCE MECHANISM, THEY MAY RESIST
RHETORIC OF INCOME MAINTENANCE.

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COMMODITIES

2. WE CAN GIVE A MORE THOUGHTFUL ANALYSIS AND DETAIL THE
THREE PROPOSALS IN THE KANSAS CITY AND PARIS SPEECHES. WE
NOW HAVE INTERAGENCY AGREEMENT ON ACCESS TO SUPPLY/ACCESS

TO MARKET ARRANGEMENTS IN THE MTNS. WE EXPECT TO REACH AGREEMENT WITH TREASURY NEXT WEEK ON IMPROVED FINANCING FOR COMMODITY PRODUCTION THROUGH THE WORLD BANK GROUP. THE CASE-BY-CASE APPROACH TO COMMODITY ARRANGEMENTS REMAINS MORE CONTROVERSIAL, BUT BY THE END OF AUGUST WE SHOULD BE ABLE:

.... TO ENDORSE THE RECENTLY NEGOTIATED TIN AGREEMENT
.... (STEEL INDUSTRY STILL RESISTING, BUT TREASURY MAY
.... TAKE A PRAGMATIC VIEW);

.... MAKE A POSITIVE STATEMENT ON THE COFFEE NEGOTIATIONS
.... (AFTER THIS WEEKEND THEY ARE BACK ON THE TRACK
.... AGAIN);

.... ANNOUNCE OUR WILLINGNESS TO PARTICIPATE IN THE COCOA
.... AND SUGAR NEGOTIATIONS WHEN THEY START; AND

.... CALL FOR CONVENING OF A CONSUMER/PRODUCER GROUP FOR
.... COPPER.

3. LATTER IS LIKELY TO BE CONTROVERSIAL AS THE FIRST STEP TOWARDS A COPPER AGREEMENT. FOR POLITICAL REASONS (CHILE, ZAIRE, IRAN HAVE A MAJOR INTEREST), COPPER IS PERHAPS THE MOST ATTRACTIVE CANDIDATE FOR A STABILIZATION AGREEMENT OUTSIDE OF COFFEE.

FOOD

4. WE SHOULD TRY TO GIVE A HARD FIGURE FOR THIS YEAR'S FOOD AID (WITH SOVIET INTENTIONS UNCERTAIN, TREASURY, CEA AND OMB WILL PROBABLY RESIST; IF WE SUCCEED IN PUTTING A CAP ON SALES TO THE SOVIET UNION, WE MAY BE ABLE TO GET A RESPECTABLE FIGURE FOR THE SPEECH).

5. WE SHOULD INDICATE WILLINGNESS TO MAKE A CASH CONTRIBUTION TO THE INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT.
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MENT. THIS IS THE FIRST SERIOUS OPEC INITIATIVE IN MULTILATERAL AID. YOU HAVE ALREADY INDICATED THAT WE WILL PARTICIPATE IN ITS CREATION; BUT JOHN HANNAH'S CONCEPT OF ATTRIBUTING INCREMENTAL BILATERAL ASSISTANCE TO THE FUND HAS BEEN REVIEWED. THERE IS MUCH SUPPORT FOR THE IFAD ON THE HILL, BUT FUNDING FOR ALL MULTILATERAL FINANCIAL INSTITUTIONS IS IN TROUBLE; OMB WILL OF COURSE RESIST.

6. WE CAN MAKE SOME TECHNICAL PROPOSALS ON FERTILIZER, AND POST-HARVEST WASTE.

7. WE SHOULD DETAIL YOUR PROPOSALS ON FOOD SECURITY (WE AT LAST APPEAR TO BE MOVING TOWARDS

INTERAGENCY AGREEMENT ON THEM).

FINANCE

8. WE CAN PROPOSE A MULTILATERAL SYSTEM OF GUARANTEES OF PRIVATE INVESTMENT IN DEVELOPING COUNTRIES (ESSENTIALLY THIS WOULD MULTILATERALIZE OUR OPIC). TREASURY WOULD STRONGLY SUPPORT THIS PROPOSAL.

9. WE COULD PROPOSE A SYSTEM OF MULTILATERAL GUARANTEES OF LDC BORROWINGS IN CAPITAL MARKETS, IN WHICH OPEC, THE EUROPEANS AND JAPANESE, WOULD JOIN US. SINCE THE LARGER PART OF NEW RESOURCES FLOWING INTO LDCS COME THROUGH SUCH BORROWINGS, SUCH A PROPOSAL WOULD HAVE STRONG ATTRACTION TO THE LDCS. IT WOULD ALSO SPREAD THE RISK TO OPEC. TREASURY WOULD NO DOUBT RESIST ON THE GROUNDS THAT WE ALREADY FACE A CAPITAL SHORTAGE, AND SHOULD NOT AGGRAVATE IT BY INCREASED LENDING TO THE LDCS.

ENERGY

10. WE CAN PROPOSE AN INSTITUTE FOR ENERGY DEVELOPMENT AND CONSERVATION TO PROVIDE TECHNICAL ASSISTANCE TO LDCS.

TRADE

11. WE CAN GIVE A SET OF PROPOSALS ON LDC PARTICIPATION IN MTNS, INCLUDING: EARLY AGREEMENT AND IMPLEMENTATION ON TROPICAL PRODUCTS, SPECIFICALLY DEEP CUTS IN PRODUCTION
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OF PROCESSED RAW MATERIALS; ACCESS TO SUPPLIES; FULL LDC PARTICIPATION IN NEGOTIATIONS, DECISIONS, AND IN RESULTING OBLIGATIONS. THIS IS ALREADY LARGELY AGREED.

TRANSNATIONAL ENTERPRISES

12. WE CAN MAKE A MAJOR STATEMENT OF PRINCIPLES. TREASURY IS VERY CONSERVATIVE ON THIS ISSUE BUT EPB WILL PROBABLY GO ALONG IF WE (AS WE SHOULD ANYWAY) INCLUDE A STATEMENT ON HOST COUNTRY OBLIGATIONS. A FURTHER POSSIBLE STEP WOULD BE TO CALL FOR NEGOTIATION OF A UN CODE ON TRANSNATIONAL ENTERPRISES. THIS WOULD PUT THE U.S. IN THE LEAD, BUT EXPOSE US TO ANOTHER CERDS-LIKE SITUATION IN WHICH OUR NEGOTIATORS GET CRUSHED BETWEEN A GENERAL COMMITMENT TO SUCCESS AND EXHORBITANT LDC DEMANDS. NEW UN COMMISSION ON TRANSNATIONALS WILL PROPOSE NEGOTIATION OF A CODE NEXT YEAR; BY THEN WE WILL HAVE AN OECD CODE NEGOTIATED AND MAY TRY TO USE IT AS AN ANCHOR.

RESTRUCTURING THE UN

13. WE CAN PUT FORWARD THE PACKAGE BASED ON GARDNER'S STUDY.

NEW INSTITUTIONS

14. AT SOME POINT IN THE PROCESS WE MIGHT TRY TO CUT

THROUGH ARGUMENTS ABOUT MONEY AND THE ULTIMATE CONTROL OF THE WORLD ECONOMY BY CALLING (NOT PROPOSING) AN ENLARGED QUOTE LIBRARY GROUP, END QUOTE INCLUDING BRAZIL, IRAN, SAUDI ARABIA, INDIA, AND MAYBE NIGERIA AS AN INFORMAL GROUPING TO DEAL WITH ALL THOSE ECONOMIC MANAGEMENT ISSUES THAT SHOULD BE DEALT WITH IN THE IMF'S INTERIM COMMITTEE, BUT ARE NOT. THE MANDATE OF THIS GROUP WOULD NOT BE MONETARY REFORM, ALTHOUGH THEY COULD DISCUSS THAT, BUT THE LEVEL OF ACTIVITY IN THE WORLD ECONOMY AND THE MANAGEMENT OF THE WORLD MONETARY SYSTEM, SUCH A GESTURE AS THIS COULD HAVE A SUBSTANTIAL EFFECT. IT WOULD BE NATURAL TO TAKE THE LEAD IN IT, AND THERE MIGHT BE ANOTHER WASHINGTON CONFERENCE CALLED FOR SHORTLY AFTER THE SEVENTH SPECIAL SESSION.

CONCEPTS

15. WE SHOULD TRY TO PACKAGE THESE INDIVIDUAL ITEMS INTO CONFIDENTIAL

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A NEW STATEMENT OF OUR RELATIONSHIP WITH THE LDCS AROUND THESE THEMES.

.... LDCS SHOULD BE FRONTIER OF WORLD ECONOMY; HIGH
.... GROWTH THEN OF BENEFIT TO EVERYONE (THIS IS WHERE
.... INCOME MAINTENANCE COMES IN);

.... SHARING OF ECONOMIC DECISION-MAKING BETWEEN DCS
.... AND LDCS (THIS IS PURPOSE OF PROPOSALS TO CREATE
.... WHOLE NEW NETWORK OF LDC/DC LINKS IN COMMODITIES,
.... TRADE, FINANCING, FOOD; AND OF PROPOSALS ON DIALOGUE
.... TO RESTRUCTURE THE UN ECONOMIC MACHINERY);

.... THEORY OF HOW LDCS QUOTE GRADUATE END QUOTE INTO
.... INDUSTRIAL COUNTRIES (NATURE OF LINKAGE MUST
.... CHANGE WITH TIME);

.... ASSERTION THAT EQUALITY MEANS THAT U.S. WILL NOT
.... BE PUSHED AROUND.

16. FROM ROBINSON: I HAVE REVIEWED AND HAVE NO BASIC DISAGREEMENT WITH ENDERS' SUGGESTED LIST OF ITEMS FOR INCLUSION IN YOUR UN SPEECH. I DO URGE THAT WE COMPLETE OUR INTER-BUREAU REVIEW OF THESE ISSUES AS A BASIS FOR A DEPARTMENTAL PROPOSAL PROPERLY WEIGHING BOTH POLITICAL AND ECONOMIC CONSIDERATIONS. ALSO I SUGGEST THAT WE COMPLETE OUR POLITICO-ECONOMIC REVIEW OF INDIVIDUAL COMMODITIES AND INDIVIDUAL COUNTRY RELATIONSHIPS BEFORE WE COMMIT TO ANY FURTHER STEPS IN OUR APPROACH TO COMMODITY AGREEMENTS. INGERSOLL

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